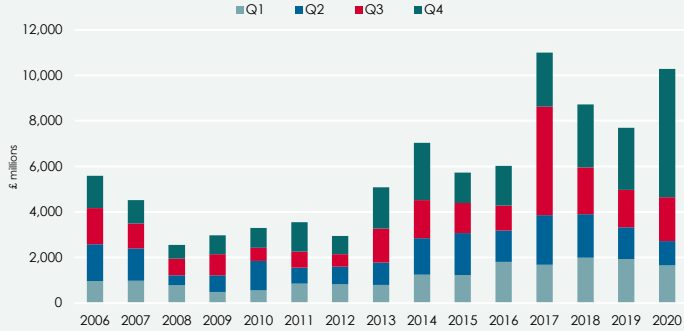


UK Logistics Market Dashboard

March 2021

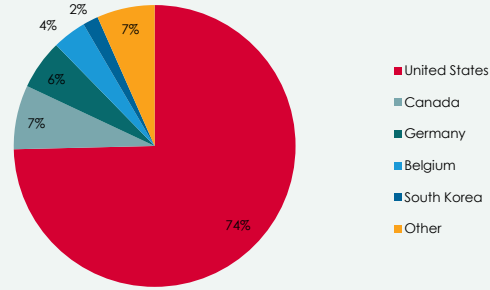
Investment market

Industrial & logistics - Investment total



Source: Knight Frank, Property Data

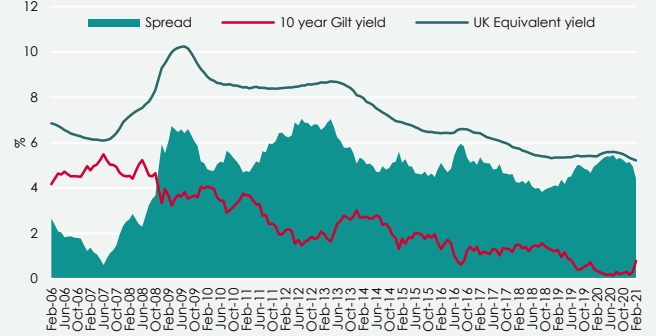
Sources of foreign capital (past 12-months)



Source: Knight Frank, RCA

Yields

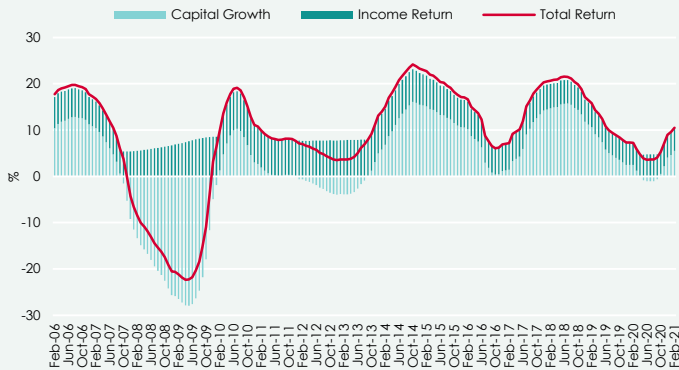
Industrial yields



Source: Knight Frank, MSCI, Macrobond

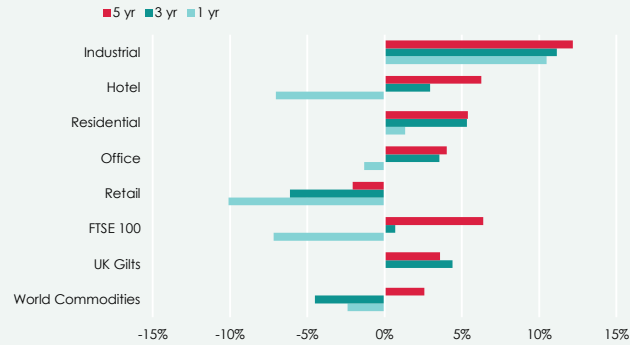
Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

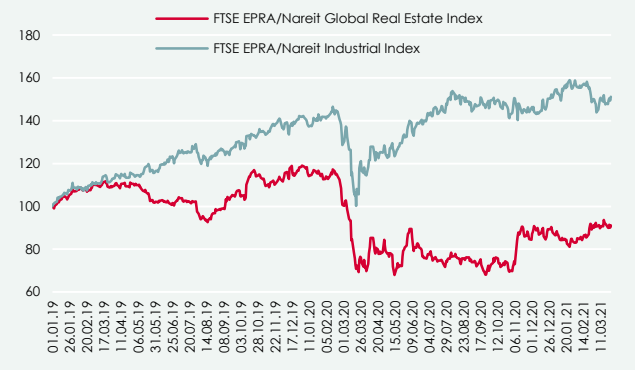
Annualized Total returns by asset class (to February 2021)



Source: Knight Frank, MSCI, Macrobond

Listed real estate

UK Real Estate Equities - total returns indices
01/01/2019 = 100



Source: Knight Frank, Marcobond

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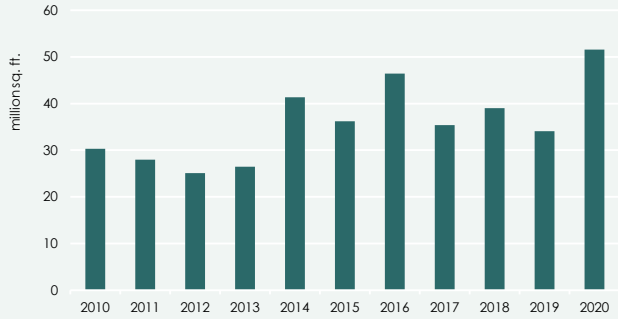
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UK Logistics Market Dashboard

March 2021

Occupier market

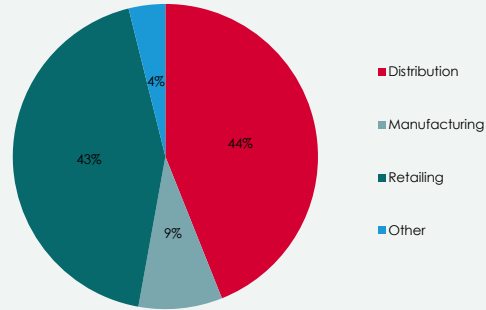
Take up (units over 50,000 sq. ft.)



* Preliminary figure

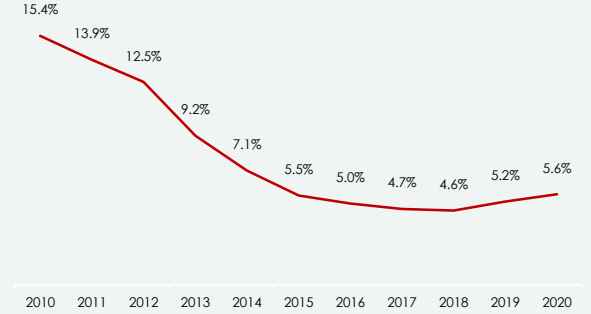
Source: Knight Frank

Take up by occupier type 2020 (units over 100,000 sq. ft.)



Source: Knight Frank, PMA

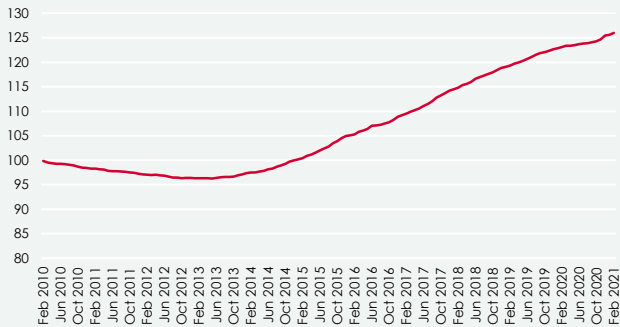
Vacancy Rate (%)



Source: Knight Frank

Rents

Average market rental growth
Jan 2010 = 100



Source: Knight Frank, MSC1

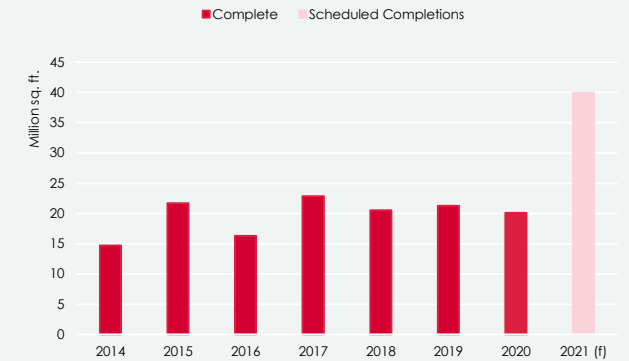
Average rental growth forecast
- Q4 2020

	2021	2022	2023	2024	2025	2021-2025 (annualized)
UK	1.1	2.4	3.1	2.9	2.4	2.4
London	2.1	3.3	3.9	3.5	3.1	3.2
South East	1.5	2.8	3.6	3.3	2.7	2.8
South West	0.5	1.5	2.2	2.2	1.9	1.6
Eastern	1.7	2.8	3.5	3.1	2.8	2.8
East Midlands	0.5	1.5	2.2	2.2	1.9	1.7
West Midlands	0.7	1.8	2.5	2.5	2.3	2.0
North West	1.2	2.0	2.4	2.4	2.2	2.0
Yorks & Humber	0.8	1.7	2.4	2.4	2.1	1.9
North East	0.6	1.7	2.4	2.4	2.1	1.8
Scotland	0.2	1.4	2.2	2.2	2.0	1.6
Wales	0.6	1.7	2.5	2.6	2.3	1.9

Source: Knight Frank, RealFor

Development

Development completions (units over 50,000 sq. ft.)



Source: Knight Frank, Glenigan

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UK Logistics Market Dashboard

March 2021

Industry, trade and transport

UK Imports and Exports (goods and services)



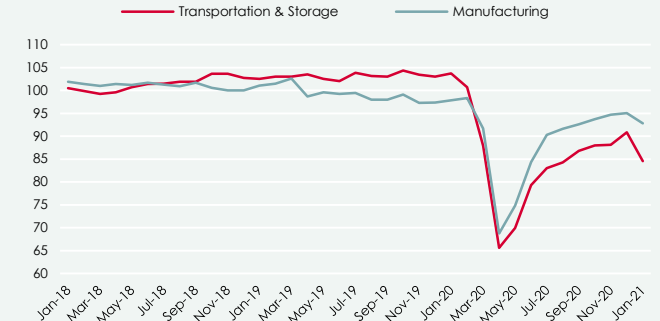
Source: Knight Frank, Macrobond

Heathrow Air Cargo (tonnes)



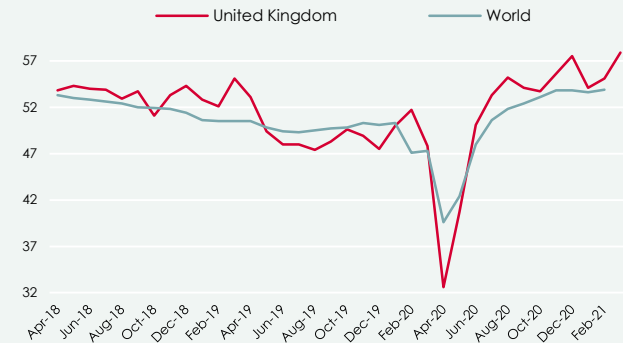
Source: Knight Frank, Macrobond

GDP Monthly Estimates Indices (01/01/2017 = 100)



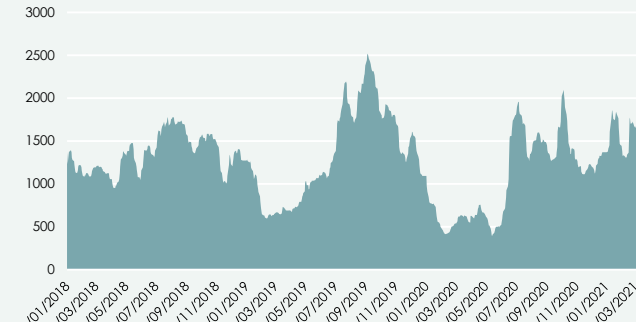
Source: Knight Frank, Macrobond

Manufacturing PMI Index



Source: Knight Frank, Macrobond

Baltic Dry Global Shipping Index



Source: Knight Frank, Macrobond

Key comments

- The IHS Markit/CIPS UK Manufacturing PMI rose to 57.9 in March of 2021 from 55.1 in February. The reading points to the strongest growth in factory activity since November of 2017. Production growth reached its strongest since the end of 2020. New orders also increased at the fastest pace for three months, despite another relatively subdued rise in export sales.
- Hopes of a sustained rebound in customer demand contributed to robust job creation and the highest level of business optimism about the year ahead outlook since April 2014.
- UK Import and Export volumes both decreased sharply in January driven by a dramatic fall in goods traded with the EU. The monthly falls since records began in January 1997. Multiple factors may have contributed to the decrease in trade including disruption and stockpiling in the lead up to the end of the UK-EU transition period.
- November and December 2020 saw increasing imports and exports of goods, particularly in machinery and transport equipment and chemicals. These increases were consistent with potential stockpiling of goods from the EU in preparation for the end of the EU exit transition period. The drop in trade volumes was largely to be expected, as stockpiles built up in Nov/Dec are worked through.

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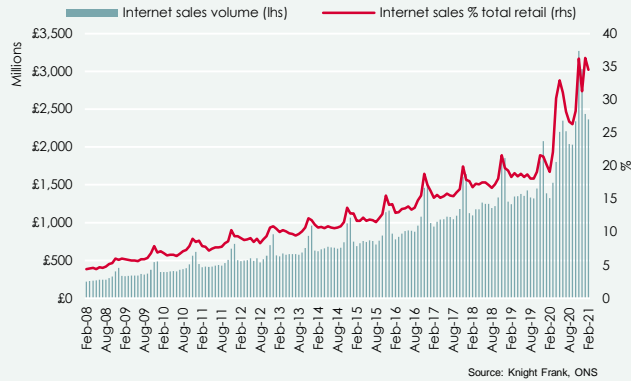
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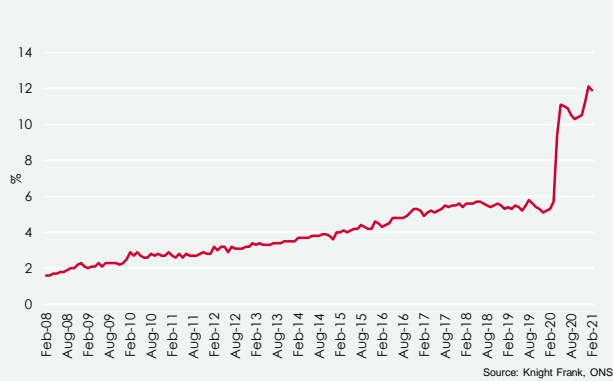
March 2021

Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Online Retail Sales – February 2021
Sales value, seasonally adjusted

	Year-on-year growth %	Month-on-month growth %	Online sales % Dec 2020	Online sales % Feb 2021
All retailing	77.6	4.6	36.1	20.1
All food	141.3	0.5	11.9	5.4
All non-food	98.5	10.3	41.9	16.1
Dept. stores	108.7	14.8	36.4	16.6
Clothing and footwear stores	36.3	1.2	57.6	20.7
Household goods stores	180.4	35.9	38	14.5
Other stores	120.4	-1.5	40.5	12.7
Non-store retailing	50.1	1.4	85.5	84.0

Source: Knight Frank, ONS

Covid-19 – Market outlook

Online retail continues to drive demand for space

Online retail sales accounted for 34.1% of all retail sales in February, a slight decrease from 36.3% in January. With the vaccine roll-out well underway and 57% of the population having received their first doses, retailers and distribution companies along with manufacturers are increasingly looking past the immediate impacts of the pandemic and planning their supply chains, distribution models and warehousing requirements for the long term. While 2020 was a year for rapid upscaling, in 2021, demand will be driven more by long term strategic planning as retailers pivot their business models towards higher demand for online retail.

Online retailers and parcel carriers are starting to see the impacts of Brexit, with the ending of VAT exemption on low-value goods, increased paperwork requirements, and rules of origin issues. UK imports from the EU are now liable for VAT. The low-value VAT threshold has been removed for goods coming into the UK (as of January 2021). The EU will follow suit in July 2021, as part of the phased approach. Around one-fifth of UK retailers sell to buyers in the EU (Source: ONS). Pan-European retailers may need to adapt their supply chain networks for the new post-Brexit landscape. The loss of access to the single market may mean that UK online retailers or distribution companies may need to look at establishing facilities within the EU. The same is true of EU-based retailers selling to UK customers.

While the largest retailers may be able to establish distribution centres in the EU, smaller retailers may not have the required scale to implement this strategy and will need to rely on 3PLs to handle international B2C distribution. Most online retailers have contractual arrangements with parcel carriers. International distribution and logistics companies have been increasing their footprint in the UK market.

German logistics firm DB Schenker, which temporarily suspended deliveries into the UK due to Brexit delays in January, is expanding its presence in the UK to accommodate new customer growth. In January 2021, it took an additional 153,064 sq ft unit at Centurion Park in Tamworth, West Midlands, where it already occupies 140,000 sq ft.

Meanwhile, U.K. sportswear chain, JD Sports is to open a new distribution centre within the EU to avoid additional costs and paperwork. JD Sports imports from East Asia but the new rules of origin regulations mean these goods will face tariffs if they are re-exported from the UK to the EU.

Market sentiment survey (monthly)

Leasing Market

Inspections	Under offers	Availability	Rent holiday requests

Investment Market

Availability	Under offers	Deals Aborted	Sales withdrawn / on hold

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